

South Lake Union

Costs and Benefits of Potential Growth



Moving Forward on a Jobs Agenda

- “The City Council hereby reaffirms its commitment to the redevelopment of the South Lake Union area to become the region’s most competitive location for biotech and high-tech research and manufacturing.”

– Council Resolution

June 2, 2002



South Lake Union

- What is the public benefit through tax revenues?
- What is the cost of possible infrastructure investments?
- Where will the funding come from to make these investments?
- What is the return on city investments?



Economic and Infrastructure Studies

- **Potential Economic and Fiscal Impacts of
South Lake Union Development**
 - Paul Sommers, PhD, Evans School of Public
Affairs
- **South Lake Union Development
Investments and Revenues Report**
 - Office of Policy and Management



Peer Review Process

- **Bill Beyers, University of Washington**
- **John Gibson, Gibson Economics**
- **Irv Lefberg, Office of Financial Management, Washington State**
- **Peter Harris, Seattle City Council Central Staff**



How does the public benefit from development in South Lake Union?

Paul Sommers

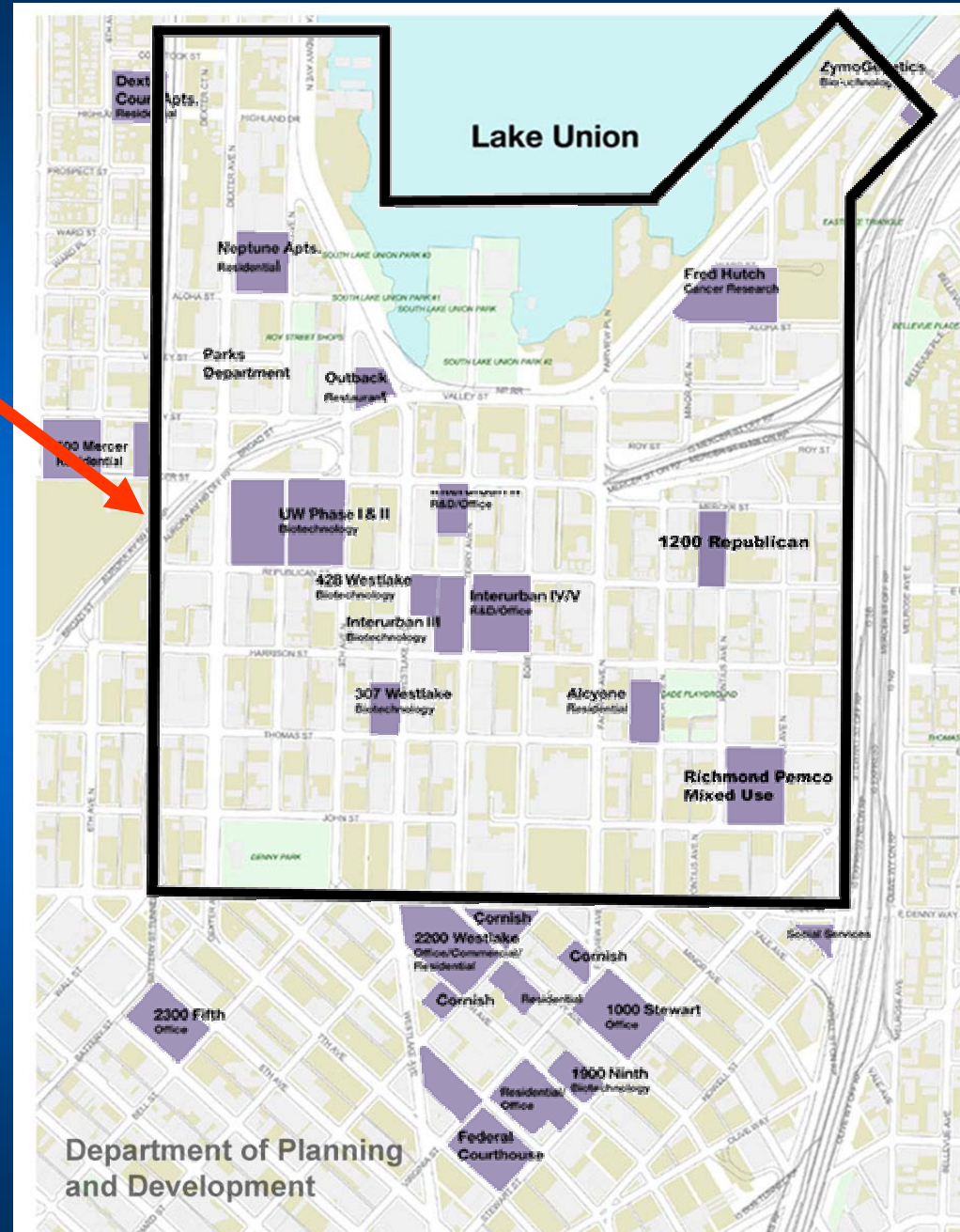


Development In South Lake Union

- **Phase 1 Development**
 - Occurring before 2007
- **Phase II Development**
 - Projected between 2008 and 2020



South Lake Union Economic Study Boundary



Public Revenues from SLU Development

- Revenue Streams
 - Sales Tax on Construction
 - Property Tax
 - Retail Sales Tax
 - Business and Occupation Tax
 - Utility Taxes



Public Revenues from SLU Development

- Direct revenues – revenues from new development in SLU.
- Indirect – revenues from development stimulated by the payrolls of new firms in SLU and purchases by these firms of goods and services from other Seattle businesses – less certain than direct because the dollars may “leak” out of the city and into other jurisdictions



Future Growth is Possible But Not Certain

- Phase II projections are about *capacity*, not firm projects
- Other cities are competing for biotech
- SLU has the best location near research institutions, SCCA and other hospitals
- Phase II development is a good bet, but pace of build-out should be monitored
- Infrastructure investments will be needed to realize the development potential in Phase II



Direct Tax Revenues to City of Seattle

(Net Present Value, 2005-2025)

- **Sales Tax on Construction -- \$11.9 million**
- **Property Tax -- \$65.7 million**
- **Retail Sales Tax -- \$2.5 million**
- **B&O Tax -- \$45.1 million**
- **Utility Tax -- \$34.5 million**
- **Total -- \$160 million**



Total Tax Revenues to City of Seattle

(Net Present Value, 2005-2025)

- **Sales Tax on Construction -- \$14.9 million**
- **Property Tax -- \$101 million**
- **Retail Sales Tax -- \$5.4 million**
- **B&O Tax -- \$84 million**
- **Utility Tax -- \$43 million**
- **Total -- \$247 million**



Statewide Direct Tax Revenues

(Net Present Value, 2005-2025)

- Sales Tax on Construction -- \$123 million
- Property Tax -- \$185 million
- Retail Sales Tax -- \$26 million
- B&O Tax -- \$153 million
- Utility Tax -- \$57 million
- Total -- \$545 million



Statewide Total Tax Revenues

(Net Present Value, 2005-2025)

- Sales Tax on Construction -- \$240 million
- Property Tax -- \$484 million
- Retail Sales Tax -- \$106 million
- B&O Tax -- \$452 million
- Utility Tax -- \$110 million
- Total -- \$1.39 billion



Potential Economic Impacts from South Lake Union Development

- **Job creation**

- Over 23,000 direct jobs in South Lake Union
- From 32,000 to 39,000 total jobs in the City of Seattle
- Over 56,000 total jobs statewide



Potential Economic Impacts from South Lake Union Development

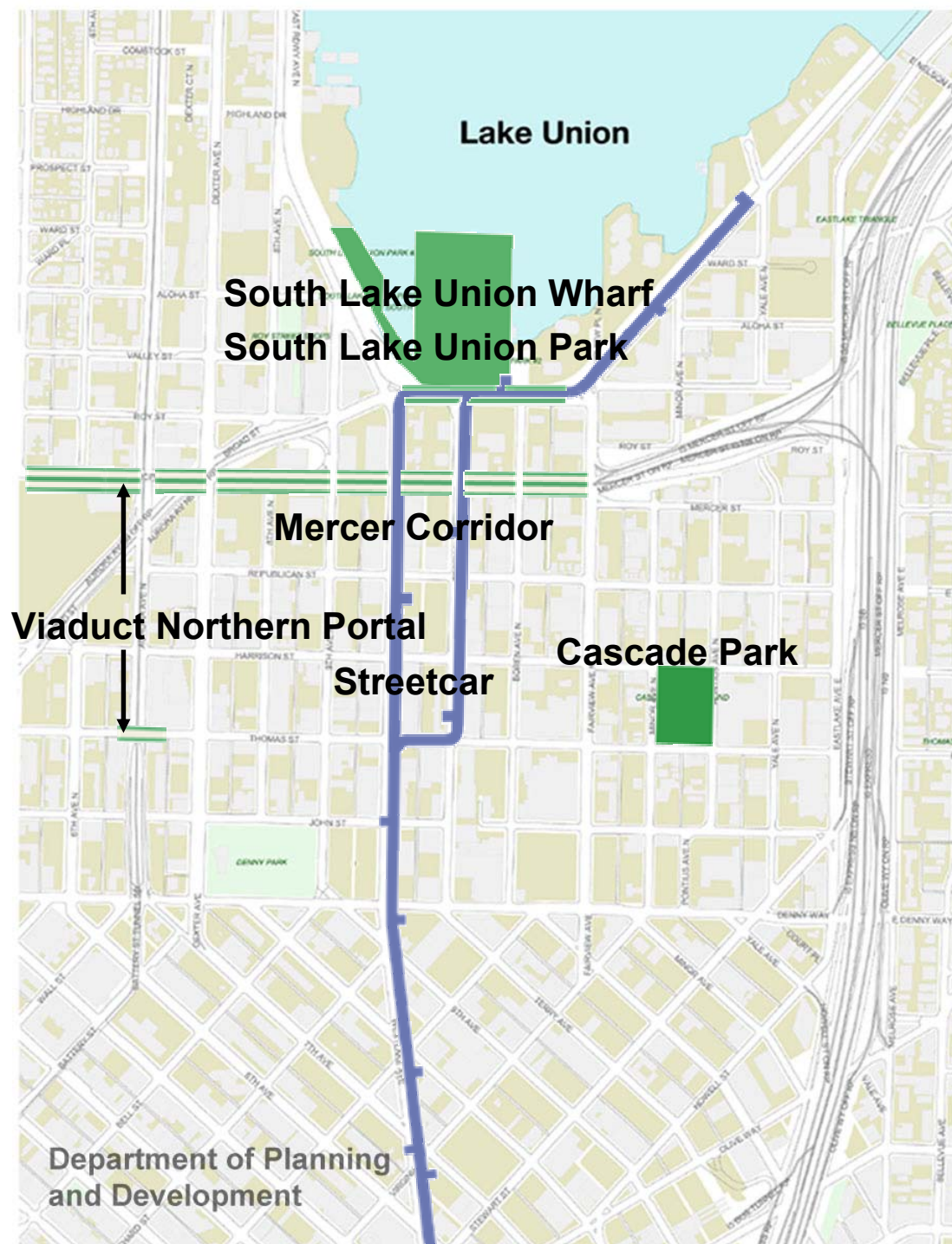
- Tax Revenues Generated
 - \$1.39 billion statewide
 - \$247 million to the City of Seattle



What are the Possible Infrastructure Investments in South Lake Union?

Michael Mann





Lake Union

South Lake Union Wharf
South Lake Union Park

Mercer Corridor

Viaduct Northern Portal

Streetcar

Cascade Park

Department of Planning
and Development

South Lake Union

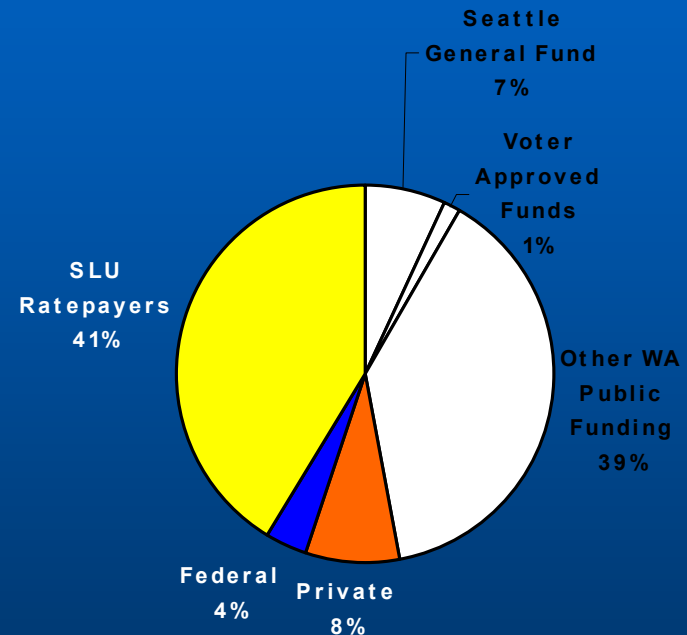
Estimated Infrastructure Project Costs

South Lake Union Park	\$20.0 million
South Lake Union Wharf	\$3.5 million
Cascade Park	\$1.1 million
Mercer Corridor East of Dexter	\$90.0 million
Viaduct Northern Portal Project	\$80.0 million
SLU Streetcar	\$45.0 million
City Light Electrical Infrastructure	<u>\$181.0 million</u>
Total	\$421.0 million



Summary of Potential Funding Sources for SLU Infrastructure

- **South Lake Union Ratepayers**
 - \$181 Million
- **Federal**
 - \$16 Million
- **Private**
 - \$35 Million



\$421 million
Infrastructure Needs



Summary of Potential Funding Sources for SLU Infrastructure

- Local and Regional Public Funding

- City General Fund

- \$30 million

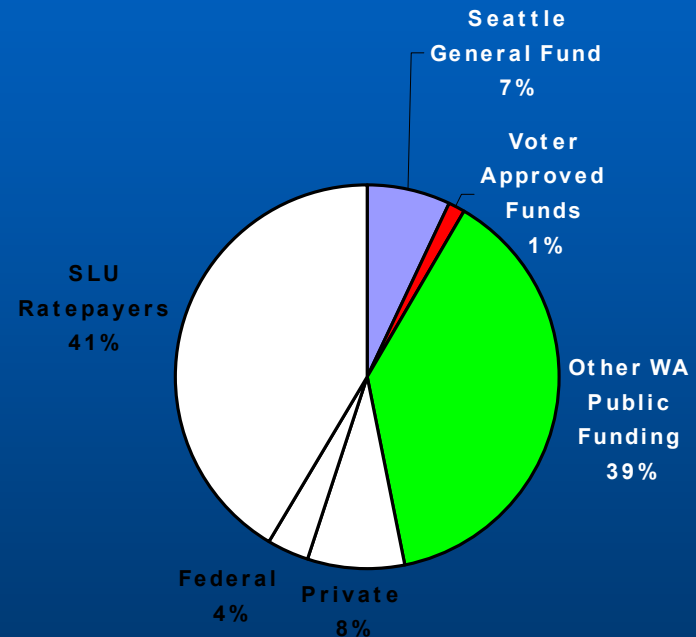
- Voter Approved Funds

- \$6 million

- Other Washington Public Funds

- \$153 million

Total \$189 million



\$421 million
Infrastructure Needs

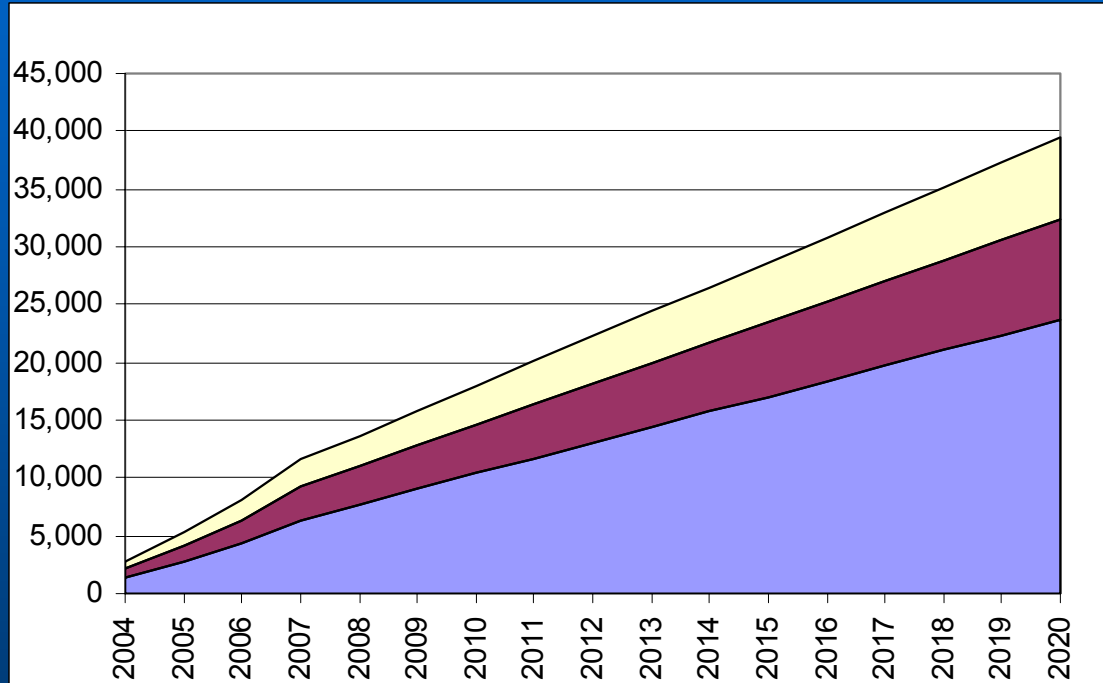


Summary of Net Benefits



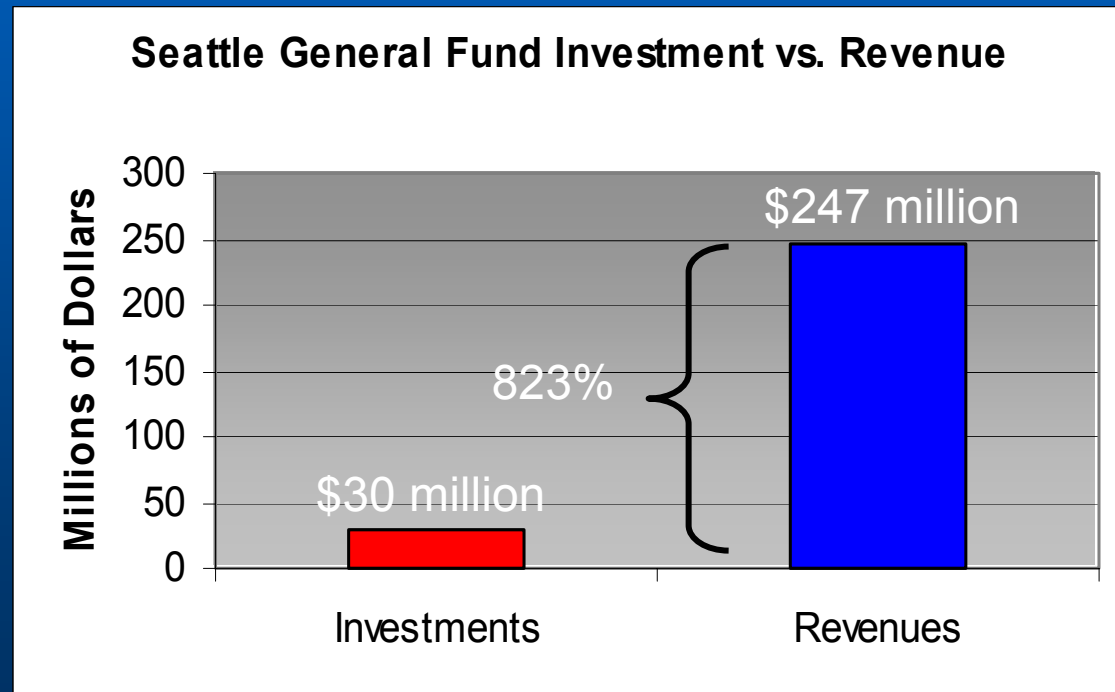
Jobs

- **Direct Jobs Created**
 - 23,610
- **Indirect Jobs Created in Seattle**
 - Low: 32,419
 - High: 39,376



Net Benefits for City of Seattle General Fund

- Investment Costs
\$30 Million
- Revenues
\$247 Million
- Projected
Revenues Over 8
Times Estimated
Costs.



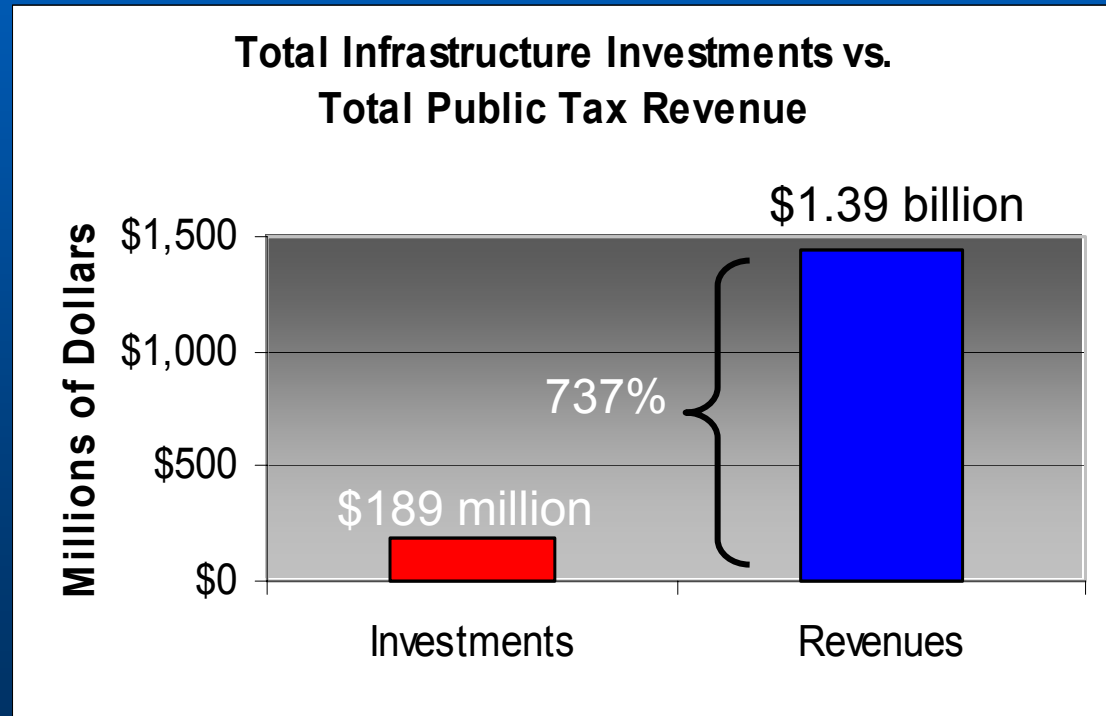
What Does this Revenue Mean?

- In 2025, annual revenue to the City of Seattle will be \$16 million more due to South Lake Union Development



Net Benefits Statewide

- Investment Costs
\$189 Million
- Revenues
\$1.39 Billion
- Projected
Revenues Over 7
Times Estimated
Costs



Summary: A Huge Opportunity

- Substantial development is occurring in South Lake Union
- Infrastructure improvements are needed to accommodate job and residential growth
- The net benefits in tax revenues are eight times greater than the estimated costs for infrastructure improvements

